GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2876
ANSWERED ON:17.12.2008
RESOURCES FOR INFRASTRUCTURE SECTOR
Radhakrishnan Shri Varkala;Thakur Shri Anurag Singh

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government proposes to seek the World Bank aid to tackle the slowdown in capital inflow and spur economic growth through higher investment in the infrastructure sector;

(b) if so, the details thereof;

(c) the response of the World Bank thereon;

(d) whether there is a proposal to mop up adequate resources from overseas markets for investment in the infrastructure sector;

(e) if so, the details thereof; and

(f) the steps taken by the Union Government to provide a stable and conducive investment climate for domestic as well as foreign investors?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (PAWAN KUMAR BANSAL)

(a):Yes Sir.

(b): Government of India has sought additional loan from the World Bank which will be over and above the net disbursement of the World Bank to India in the next three years. This additional lending will include assistance to the infrastructure projects.

(c): The World Bank has included additional lending of US $ 3 billion in the Country Assistance Strategy 2009-12.

(d) to (f): Overseas resources are mobilized for financing of infrastructure through External Commercial Borrowings (ECB), investment by Foreign Institutional Investors (FIIs) and Foreign Direct Investment (FDI). The Government has recently taken several steps to liberalize the inflows through these routes, which will increase the availability of resources from overseas for infrastructure sector. Government has permitted ECB up to US$ 500 million per borrower per financial year for Rupee expenditure and / or foreign currency expenditure for all permissible end-uses under the Automatic Route. The definition of infrastructure for the purpose of ECB has been expanded to cover more sectors. For liberalizing the inflow through FIIs several measures have been taken which include,
(i) increase of cumulative FII investment limits to US$ 6 billion in corporate debt and to US$ 5 billion in Government Securities,
(ii) abolition of conditions of Securities and Exchange Board of India (SEBI) FII regulations pertaining to restrictions of 70:30 ratio of investment in equity and debt respectively,
(iii) removal of restriction on issue of Participatory Notes by FIIs against securities, and
(iv) grant of perpetual registration to FIIs subject to payment of fees. The Government of India has also put in place various policy measures that include, inter alia, a liberal and investment friendly policy on FDI, reduction in duty rates of customs and central excise, liberalization of foreign trade regime to provide better access to inputs at competitive prices, better infrastructure support, re-finance facility to National Housing Bank and Small Industries Development Bank of India.